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8/3/73:EXT 21571
APPROVED BY L/EB:CJPITMAN
AF/N-MR. LANE (INFO
EB/ORF/FSE-MR. BENNSKY (INFO)
EB/IFD/OIA-MR. KENNEDY (INFO)
L/AF-MR. SPIEGEL (INFO)
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E.O. 11652: N/A
TAGS: ENRG, LY
SUBJECT: BUNKER HUNT NATIONALIZATION
REFS: (A) TRIPOLI 905 (B) STATE 131160

1. FOLLOWING ARE TEXTS OF (1) LETTER FROM BUNKER HUNT REP SCHULER TO UNDERSECRETARY CASEY DATED AUGUST 2, 1973 AND (2) LETTER DATED AUGUST 3 FROM UNDERSECRETARY TO SCHULER:
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BEGIN TEXT:

AUGUST 2, 1973

DEAR MR. CASEY:

WE MET SEVERAL WEEKS AGO TO DISCUSS THE EXPROPRIATION OF NELSON BUNKER HUNT'S INTERESTS IN LIBYA. YOU AND YOUR STAFF READILY RECOGNIZED THE ILLEGAL CHARACTER OF THE NATIONALIZATION AND THE NECESSITY FOR A FIRM REACTION BY GOVERNMENT AND INDUSTRY IF THERE WAS TO BE ANY HOPE OF AVOIDING A CHAIN OF SIMILAR ILLEGAL NATIONALIZATIONS IN LIBYA AND ELSEWHERE.

AS AN INITIAL INDICATION OF THE UNITED STATES GOVERNMENT'S DISAPPROVAL, THE AMERICAN EMBASSY IN TRIPOLI SUBMITTED A STRONGLY WORDED NOTE OUTLINING ITS LEGAL VIEWS

TO THE LIBYAN FOREIGN MINISTRY ON JULY 8TH. THIS NOTE WAS A VITAL FIRST STEP, BUT THE PRELIMINARY REACTION OF THE LIBYANS APPEARS TO CONFIRM THAT THE LIBYAN GOVERNMENT WILL NOT ACCEPT THE UNITED STATES GOVERNMENT'S VIEWS. NONETHELESS, THE NOTE LAID THE BASIS FOR REPRESENTATIONS TO THE BRAZILIAN GOVERNMENT, AND WE ARE ASKING THAT IT BE MADE THE BASIS OF PROMPT AND STRONG REPRESENTATIONS OR NOTES TO THE GOVERNMENTS OF ITALY, GREECE, THE U.S.S.R. AND BULGARIA, ALL OF WHICH ARE INVOLVED IN THE PURCHASE OF THE ILLEGALLY EXPROPRIATED OIL.

ON OUR PART, HLNT AND BP HAVE INITIATED SUITS IN BRAZIL, ITALY AND GREECE. WE ALSO INTEND, IN THE VERY NEAR FUTURE TO BRING SUIT IN UNITED STATES COURTS AGAINST AMERICAN PURCHASERS OF SARIR CRUDE OIL. IN CONJUNCTION WITH THESE SUITS OR POSSIBLE INFORMAL APPROACHES PRIOR THERETO, WE INTEND TO MAKE REFERENCE TO THE UNITED STATES GOVERNMENT'S VIEW OF THE ILLEGALITY OF THE LIBYAN NATIONALIZATION, AND WE BELIEVE THAT OUR POSITION WOULD BE VASTLY STRENGTHENED IF WE HAD THE TEXT AVAILABLE TO SELECTED KEY EXECUTIVES OF THE OTHER COMPANIES OPERATING IN LIBYA IN ORDER TO ASSURE THEM OF

THE UNITED STATES GOVERNMENT'S INTEREST AND WILLINGNESS TO SUPPORT COMPANIES WHICH ARE ILLEGALLY EXPROPRIATED. WE HAVE NOT PREVIOUSLY PRESSED FOR THE TEXT OF THE NOTE BECAUSE WE HAVE APPRECIATED THE DEPARTMENT'S DESIRE TO GIVE THE LIBYANS A SUITABLE TIME TO RESPOND EVEN THOUGH NO RESPONSE IS REALISTICALLY EXPECTED; HOWEVER, WE NOW BELIEVE THAT THE TIMING OF RELEASE MUST BE REEVALUATED AGAINST THE THREAT MADE YESTERDAY BY THE LIBYAN PRIME MINISTER TO NATIONALIZE THE REMAINING U.S. COMPANIES UNLESS THEY AGREE TO UNACCEPTABLE LIBYAN DEMANDS BY AUGUST 15TH. IT IS AT LEAST POSSIBLE THAT THE LIBYANS WILL RECONSIDER THEIR BELIEF THAT THEY CAN MARKET EXPROPRIATED OIL WITHOUT SERIOUS IMPEDIMENT, IN WHICH CASE THEY MAY BACK-OFF THEIR THREAT. WE THEREFORE SEEK YOUR APPROVAL FOR IMMEDIATE RELEASE OF THE NOTE TO US.

IN CLOSING, LET ME EXPRESS ONCE AGAIN OUR APPRECIATION FOR THE COOPERATION WE HAVE RECEIVED FROM ALL THE VARIOUS OFFICES INVOLVED IN THIS MATTER. IN THE COURSE OF RECENT DISCUSSIONS, I HAVE ACQUAINTED SEVERAL OF THOSE OFFICES WITH THIS REQUEST.

SINCERELY YOURS,

IGNED SCHULER
ND TEXT

BEGIN TEXT:

AUGUST 3, 1973

DEAR R. SCHULER:

I AM WRITING IN RESPONSE TO YOUR LETTER OF AUGUST 2, 1973 REGARDING THE NATIONALIZATION ON JUNE 11, 1973 OF NELSON BUNKER HUNT'S RIGHTS AND PROPERTY IN LIBYA. IN YOUR LETTER, YOU REQUESTED ME TO APPROVE THE RELEASE OF THE TEXT OF A DIPLOMATIC NOTE TRANSMITTED BY THE U.S. GOVERNMENT TO THE GOVERNMENT OF THE LIBYAN ARAB REPUBLIC ON JULY 8, 1973, WHICH CONTAINED OUR POSITION WITH RESPECT TO THE JUNE 11 NATIONALIZATION AND,

FURTHER, THAT THIS GOVERNMENT MAKE REPRESENTATIONS TO CERTAIN GOVERNMENTS WHICH ARE UNDERSTOOD TO BE INVOLVED IN PURCHASING OIL FROM NELSON BUNKER HUNT'S NATIONALIZED CONCESSION IN LIBYA.

WE HAVE REQUESTED OUR EMBASSY IN TRIPOLI TO FORWARD TO US AS SOON AS POSSIBLE CERTIFIED COPIES OF THE NOTE MENTIONED ABOVE IN BOTH ENGLISH AND ARABIC. IN THE INTERIM, I AM ENCLOSING THE TEXT OF THE SUBSTANCE OF THE NOTE AND WILL PROVIDE YOU WITH CERTIFIED COPIES OF THE COMPLETE TEXTS AS SOON AS THEY ARE AVAILABLE. WE HAVE NO OBJECTION TO YOUR USING THIS NOTE IN CONNECTION WITH ANY PENDING OR PROPOSED LITIGATION OR IN ANY OTHER WAY APPROPRIATE TO THE ASSERTION OF YOUR LEGAL RIGHTS TO THE NATIONALIZED PROPERTY.

THE DEPARTMENT IS ALSO PREPARED TO GIVE SYMPATHETIC CONSIDERATION TO APPROPRIATE DIPLOMATIC REPRESENTATIONS TO ANY GOVERNMENT CONCERNED WHERE THERE IS EVIDENCE THAT THE GOVERNMENT OR ANY AGENCY UNDER ITS CONTROL HAS PURCHASED OR INTENDS TO PURCHASE OR OTHERWISE HANDLE OIL FROM THE NATIONALIZED SARIR FIELD.

SINCERELY,

ENCLOSURE SIGNED CASEY

END TEXT. ROGERS